



BookSmiles

**BOOKSMILES
PENNSAUKEN TOWNSHIP, NEW JERSEY**

FINANCIAL STATEMENTS

OCTOBER 31, 2024

BOOKSMILES

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INDEPENDENT AUDITOR'S REPORT

April 30, 2025

To the Board of Directors
BookSmiles
Pennsauken Township, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BookSmiles, which comprise the statement of financial position as of October 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BookSmiles as of October 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BookSmiles, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

To the Board of Directors
BookSmiles

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BookSmiles' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BookSmiles' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BookSmiles' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

BOOKSMILES
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2024

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 293,084
Investments	212,817
Inventory	145,424
Total Current Assets	651,325
NONCURRENT ASSETS:	
Property and equipment, net	30,368
Right-to-use asset	71,408
Total Noncurrent Assets	101,776
 TOTAL ASSETS	 \$ 753,101
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Lease liability	\$ 27,913
Total Current Liabilities	27,913
NONCURRENT LIABILITIES:	
Lease liability	43,495
Total Noncurrent Liabilities	43,495
 NET ASSETS:	
Without donor restrictions	681,693
Total Net Assets	681,693
 TOTAL LIABILITIES AND NET ASSETS	 \$ 753,101

The accompanying notes are an integral part of these financial statements.

**BOOKSMILES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2024**

SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS:	
Grants	\$ 187,243
Interest income	14,078
Program income	59,871
Special events - net of expenses of \$7,004	8,107
Donations	316,498
In-kind donations	1,341,600
TOTAL SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	<u>1,927,397</u>
EXPENSES:	
Program services	1,546,901
Management and general	114,205
Fundraising	189,185
TOTAL EXPENSES	<u>1,850,291</u>
CHANGE IN NET ASSETS	77,106
Net Assets, Beginning of Year	<u>604,587</u>
Net Assets, End of Year	<u>\$ 681,693</u>

The accompanying notes are an integral part of these financial statements.

**BOOKSMILES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2024**

	Program Services	Management and General	Fundraising	Totals
EXPENSES:				
Salaries and payroll taxes	\$ 130,635	\$ 65,607	\$ 88,251	\$ 284,493
Advertising and promotion	-	4,369	4,370	8,739
Bank fees	-	2,049	-	2,049
Book distributions	1,273,440	-	-	1,273,440
Contracted services:				
Professional services	2,022	1,732	2,021	5,775
Contracted services	4,307	3,691	4,307	12,305
Depreciation	3,616	-	3,616	7,232
Donations to other entities	67,830	-	67,830	135,660
Insurance	5,273	4,520	5,273	15,066
Meals and entertainment	535	459	536	1,530
Miscellaneous expense	2,355	2,018	2,355	6,728
Occupancy	19,132	19,132	-	38,264
Office expenses	6,277	10,628	10,626	27,531
Repairs and maintenance	3,196	-	-	3,196
Utilities	4,582	-	-	4,582
Vehicle expenses	23,701	-	-	23,701
	\$ 1,546,901	\$ 114,205	\$ 189,185	\$ 1,850,291
TOTAL EXPENSES				

The accompanying notes are an integral part of these financial statements.

BOOKSMILES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 77,106
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	7,232
(Increase) decrease in:	
Inventory	(79,759)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(10,610)
Purchase of property and equipment	(19,900)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(30,510)</u>
Net increase (decrease) in cash and cash equivalents	(25,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>319,015</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 293,084</u>
SUPPLEMENTAL INFORMATION:	
Interest paid	<u>\$ -</u>
Taxes paid	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

BOOKSMILES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 THE ORGANIZATION

BookSmiles (“the Organization”) is a community-based nonprofit corporation providing reading materials to individuals and schools. The Organization operates a book bank, and its main goal is to divert used children’s books from going to landfills or pulpsters and provides millions of books with new life by getting them into the hands and homes of children who need them most.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Cash Equivalents

The Organization considers all highly liquid investments with an original maturity date of 90 days or less to be cash equivalents, excluding cash included in long-term investment accounts.

Property and Equipment

The Organization follows the practice of capitalizing the cost of property and equipment that have an estimated useful life over one year; the fair value of donated property and equipment is similarly capitalized at the date of donation. Expenses for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. All other expenditures for renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost is removed from their respective accounts, and gains or losses on such disposition are recognized in the statement of activities.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Contributions

As required by accounting principles generally accepted in the United States of America, contributions received are recorded as with donor restrictions or without donor restrictions,

BOOKSMILES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by a donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments. Those services do not meet the criteria for recognition specified by accounting principles generally accepted in the United States of America.

Advertising and Promotion

The Organization expenses the cost of advertising and promotion when incurred.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code. The Organization did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based upon employees' time for each function, purpose of each expenditure, and services provided for each program.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

BOOKSMILES

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH

The Organization maintains its cash accounts with Republic Bank. At October 31, 2024, the carrying value of cash and cash equivalents was \$293,084, and the bank balance was \$292,984. Of this amount \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$42,984 was exposed to custodial credit risk.

NOTE 4 INVESTMENTS

The value of investments at October 31, 2024 is based on amortized cost as follows:

<u>Investments Measured at Amortized Cost</u>	<u>Value</u>
Certificates of deposit	<u>\$ 212,817</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of October 31, 2024 consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Useful Lives</u>
Vehicles	\$ 49,400	\$ 19,032	\$ 30,368	5 Years
Total	<u>\$ 49,400</u>	<u>\$ 19,032</u>	<u>\$ 30,368</u>	

For the year ended October 31, 2024, depreciation expense amounted to \$7,232.

NOTE 6 LEASING ARRANGEMENTS

At October 31, 2024, the Organization had one lease agreement in effect for office space. The Organization calculated the present value of the lease agreement at the risk-free rate as of the incurrence of each lease. The remaining life of the leases as of October 31, 2024 was 2.50 years, and the discount rate as of October 31, 2024 was 3.01%. Future payments under the lease are as follows:

<u>Year Ending October 31,</u>	<u>Total</u>
2025	\$ 29,678
2026	29,678
2027	14,839
Less: discount	<u>(2,787)</u>
Total	<u>\$ 71,408</u>

BOOKSMILES

NOTES TO FINANCIAL STATEMENTS

NOTE 7 INVENTORY

The Organization's inventory for 2024 is as follows:

<u>Inventory</u>	
Donated books	\$ 56,160
Purchased books	<u>89,264</u>
Total	<u>\$ 145,424</u>

NOTE 8 IN-KIND CONTRIBUTIONS

The Organization receives in-kind donations in the forms of hard and soft cover, as well as distributes hard and soft cover books to surrounding school districts and daycare centers. Below is the amount of in-kind.

<u>In-kind Donations Received</u>	<u>Book Count</u>	<u>Value</u>	<u>Total Value</u>
Hard cover	\$ 309,600	\$ 2.00	\$ 619,200
Soft cover	<u>722,400</u>	<u>1.00</u>	<u>722,400</u>
Total	<u>\$ 1,032,000</u>	<u>\$ 1.30</u>	<u>\$ 1,341,600</u>

<u>In-kind Distributions</u>	<u>Book Count</u>	<u>Value</u>	<u>Total Value</u>
Hard cover	\$ 278,640	\$ 2.00	\$ 557,280
Soft cover	<u>650,160</u>	<u>1.00</u>	<u>650,160</u>
Total	<u>\$ 928,800</u>	<u>\$ 1.30</u>	<u>\$ 1,207,440</u>

<u>In-kind Scrapped</u>	<u>Book Count</u>	<u>Value</u>	<u>Total Value</u>
Hard cover	\$ 30,960	\$ 2.00	\$ 61,920
Soft cover	<u>72,240</u>	<u>1.00</u>	<u>72,240</u>
Total	<u>\$ 103,200</u>	<u>\$ 1.30</u>	<u>\$ 134,160</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 9 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through April 30, 2025, the date the financial statements were available to be issued.